

December 23rd, 2013

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Re: Medical Marijuana Regulations

Pursuant to your department's request for comments on proposed changes to Chapter 453A of NAC, and subsequent to meeting in your offices on DEC 19th, 2013, please see the following comments and specific concerns. These comments are raised on behalf of the partners of dba, HW Wellness. We appreciate the opportunity to submit proposed amendments, and reserve an opportunity to share these comments in person on DEC 23rd at the hearing, as the opportunity is allowed.

NAC 453A of Section 35(1)(a):

Request Revisions. As detailed within this section, a medical marijuana establishment (MME) must surrender its registration certificate and reapply during the next annual 10-day application period before an additional person gains an ownership interest. Implemented, this section creates many adverse consequences:

- May lead to extended business disruption of an ongoing concern, as the implication becomes shuttering the business across the next annual 10-day period and until a determination is made by the division.
- Markedly impacts the revenue of the MME. Forces difficult decisions around expenses, potentially leading to layoffs, market loss and decreased patient retention.
- Keeping in mind the purpose of raising capital is generally focused on a market or competitive opportunity. Section 35(1)(a) limits the discretion of the standing ownership team, as sophisticated investors will time investments toward the annual 10-day period. Thus, market opportunities not-aligning with the 10-day period might possibly find themselves unfunded, limiting growth and repressing market competitiveness.

As a revision, we ask the division to consider amendments provided by Leland Parachini Steinberg (LPS) and submitted on December 17th, 2013: *LPS recommended standards used in other regulated industries and to expressly require a transfer of all, or substantially all assets, or not less than 10% of the stock of the MME to trigger it. In addition, any new "owner" would need to be thoroughly vetted for a new MMEA (Agent) card, and rather than disrupting MME operations, the new "owner" cannot participate unless they pass vetting process.*

NAC 453A Section 41:

Request Revision: Based upon an exhaustive analysis of other Medical Marijuana (MMJ) States and the underlying MMJ businesses therein, from inception our go-to-market strategy hinged on full “Seed to Sale” operations; medible manufacturing, cultivation, dispensaries. This robust operational footprint is a proven approach to risk mitigation, avoiding supply chain disruption, attaining earlier-stage financial solvency all while providing exemplary patient care. One pivotal aspect of operational efficiency and thus streamlined costs will be our Nevada-based employees. Section 41(2) states that “Each medical marijuana establishment agent registration card issued pursuant to NRS 453A.332 must indicate the category of the registration card. The person to whom the card is issued may ONLY provide services at the type of medical marijuana establishment for which he or she is registered to provide services.” From a business perspective, I am an advocate of specialization. However, at an early stage, organizations grow stronger through cross-training skills. That way, with illness, unplanned absence or termination, operations are not disrupted and patients still receive high-quality care. Also, within a full “Seed to Sale” operation, cross-training and diverse work exposure within multiple establishment-types empowers the employee, providing for both personal preference and career path advancement. As a business owner, I also benefit by being capable of matching specific job functions with personality type and business need. *Please consider modifying or expanding this provision to enable registered agents to work in multiple establishment-types if the umbrella organization encompasses several different types of establishments.*

NAC 453A of Section 50:

Request clarification. Section 50 stipulates that “a medical marijuana establishment shall not use 1. A name or logo unless the name or logo has been approved by the Administrator of the Division; or 2. Any sign or advertisement unless the sign or advertisement has been approved....” Having helped launch several businesses, best-practice is to begin building a social media strategy (Twitter, Website, Tumblr (Blogs), Google Plus, online forums, etc.) before the business opens day one. That enables us to provide value to patients looking for resources, branding our downstream product & service offerings and interact with the community beforehand. Based upon Section 50, we are confused about what marketing and social tactics we can adopt at this time. Also, what is the process for logo or name approval? *Please add clarity around the types of advertising that will be prohibited, both content and method; also, some definition around the process and timeline to secure advertisement approval (post-license).* This guidance enables our team to earnestly work on marketing planning; budgets and talent requirements while helping us avoid a costly campaign build that cannot be implemented.

NAC 453A Section 72(1)(2):

Request Revision: As stated previously, our proposed business footprint includes edible / infused medical marijuana product manufacturing, dispensaries and a supportive cultivation facility. In an attempt to increase security and while increasing public safety, we are engaged with a professional security firm to scope out best-practices and refine our Standard Operating Procedures. After assessing regulations and listening to our “Seed to Sale” plan, he questions the rationale to physically separate a cultivation facility from its “Medible” Kitchen. From his perspective, this unnecessarily increases security and transport risk while increasing cost for in-transport security and another MME building facility. The entire process is more streamlined and safe if these established might cohabitate. As for the financial impact of requiring different buildings altogether, those costs would include additional rent, utilities, security, etc and would easily increase expense by over \$150,000 per year (Lease X 12 plus NNN, various expenses, transport and security). *From a business and safety perspective, I ask that you consider amending Section 72 to allow for these complimentary businesses to share a common entry, common amenities like a team break room, bathrooms.*

In closing, we appreciate the opportunity to participate alongside the Department of Health and Human Services in crafting a regulatory environment that enables a new industry, a “for-profit” business model, while providing patients the medicine they require. Please consider additional opinion providing from other partners at HW Wellness; Shane Johnson, MD, Rodney Shoemaker, DC, and Jesse Wilfrey.

Regards,

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